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Proposed programme budget for the biennium 2014-2015*

Part X
Jointly financed administrative activities and special expenses

Section 32
Special expenses

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* A summary of the approved programme budget will be issued as A/68/6/Add.1.

** The present report does not contain annexes with an organizational structure and post distribution for the biennium 2014-2015 and on outputs included in the biennium 2012-2013 not to be delivered in 2014-2015.

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Overview

Table 32.1 **Financial resources**

(United States dollars)

Approved resources for 2012-2013[a]	120 441 300
Growth	11 497 800
Proposal of the Secretary-General for 2014-2015[a]	131 939 100

[a] At 2012-2013 revised rates.

32.1 Under section 32, Special expenses, resources are provided to cover specific expenditure requirements for: (a) after-service health insurance; (b) compensatory payments; (c) general insurance charges; (d) bank charges; and (e) pension payments to former Secretaries-General (see table 32.2).

32.2 The overall resources proposed for the biennium 2014-2015 for this section amount to $131,939,100 before recosting, reflecting an increase of $11,497,800 (or 9.5 per cent) compared with the 2012-2013 resources at revised rates.

32.3 The distribution of resources is reflected in table 32.2 below.

Table 32.2 **Financial resources by component**

(Thousands of United States dollars)

(1) *Regular budget*

				Resource changes							
	2010-2011 expenditure	*2012-2013 resources at revised rates*	*Technical adjustment (delayed impact and non-recurrent)*	*Growth*	*In line with resolution 67/248*	*Reflected in budget outline report[a]*	*Total*	*Percentage*	*Total before recosting*	*Recosting*	*2014-2015 estimate*
A. Contributions to after-service health insurance	88 324.2	108 871.8	–	10 362.5	–	–	10 362.5	9.5	119 234.3	11 671.4	130 905.7
B. Compensatory payments	2 782.0	2 847.6	–	161.3	–	–	161.3	5.7	3008.9	–	3008.9
C. General insurance	5 390.9	6 652.1	–	894.9	–	–	894.9	13.5	7 547.0	–	7 547.0
D. Bank charges	10 900.0	856.5	–	–	–	–	–	–	856.5	–	856.5
E. Pension payments to former Secretaries-General	1 240.5	1 213.3	–	79.1	–	–	79.1	6.5	1 292.4	–	1 292.4
Subtotal	**108 637.6**	**120 441.3**	**–**	**11 497.8**	**–**	**–**	**11 497.8**	**9.5**	**131 939.1**	**11 671.4**	**143 610.5**

(2) *Other assessed and extrabudgetary*

	2010-2011 expenditure	*2012-2013 estimate*	*2014-2015 estimate*
Subtotal	**22 261.9**	**25 516.1**	**31 743.7**
Total	**130 899.5**	**145 957.4**	**175 354.2**

[a] A/67/529 and Corr.1.

A. After-service health insurance

Resource requirements (before recosting): $119,234,300

Table 32.3 **Resource requirements: after-service health insurance**

	Resources (thousands of United States dollars)		*Posts*	
Category	*2012-2013*	*2014-2015 (before recosting)*	*2012-2013*	*2014-2015*
Regular budget				
Non-post	108 871.8	119 234.3	–	–
Subtotal	**108 871.8**	**119 234.3**	–	–
Extrabudgetary	25 516.1	31 743.7	–	–
Total	**134 387.9**	**150 978.0**	–	–

32.4 The after-service health insurance programme extends health-care benefits under the United Nations insurance schemes to retirees and their eligible dependants. Coverage is provided on a shared-contribution basis in accordance with a decision taken by the General Assembly at its twenty-first session. Coverage is also provided to staff members whose appointments are terminated as a result of disability. In all cases, coverage is available only to those who are eligible to receive a periodic benefit from the United Nations Joint Staff Pension Fund or under the rules g erning compensation for service-incurred death, injury or illness. In accordance with Assembly resolution 38/235, the maximum cost-sharing ratio is 2 to 1 between the organization and the participant.

32.5 By its resolution 40/258 A, the General Assembly decided to extend after-service health insurance coverage to former locally recruited staff who participated in the medical expense assistance plan under appendix E to the Staff Rules of the United Nations.

32.6 By its resolution 61/264, the General Assembly approved changes to the after-service health insurance provisions for new staff members recruited on or after 1 July 2007. Under the terms of that resolution, following retirement, staff members are eligible for cost-sharing of after-service coverage if they have participated in a United Nations-system contributory health insurance plan for a minimum of 10 years at the time of retirement. Staff members recruited prior to 1 July 2007 who have participated in a United Nations contributory plan for at least five years are also eligible, provided that they pay the full premium for the period for which their participation falls short of the 10-year requirement for cost-shared participation.

32.7 In the biennium 2010-2011, the United Nations introduced a measure to reduce the costs related to health-care plans. A new requirement for the United States-based plans was adopted applicable to after-service health insurance participants who are also eligible for Medicare Part B. This measure is expected to help to contain the premium costs of insurance plans administered at Headquarters during the succeeding bienniums, and is reflected in the estimated requirements for the biennium 2014-2015.

32.8 Since the inception of the after-service health insurance programme in the United Nations, the programme has grown in terms of both the number of participants and the related cost. Since 1999, the increase in enrolment has been steady and has demonstrated a tendency to accelerate, owing to the ageing population of subscribers.

32.9 The high level of medical inflation within the New York area drives prices for health services that underlie the premium rates applicable to the plans administered at Headquarters. The premium projections for the Van Breda plan reflect the worldwide nature of the plan and are sensitive to the volatility of the exchange rate of the United States dollar. In many locations, increases in the medical inflation rate outpace that of regular inflation. Substantial increases in the number of new active staff owing to the expansion in peacekeeping activities have helped to contain premium increases in recent years. As the number of staff stabilizes, however, it is expected that costs will more closely follow medical inflation rates in the upcoming years.

32.10 For the biennium 2014-2015, the estimated requirements have been prepared employing the same methodology as that used in prior years. Other assessed and extrabudgetary amounts shown represent requirements for former staff of peacekeeping operations as well as for staff who, before retirement, have been financed from extrabudgetary sources of funding.

32.11 The requirements in the amount of $119,234,300 (before recosting) represent an increase of $10,362,500 compared with the 2012-2013 resources at revised rates. The expected increase in membership in the insurance programme during the biennium 2014-2015, as compared with current estimates for membership during the biennium 2012-2013, is projected at 6.4 per cent on average under the insurance plans administered at Headquarters, at a level of 7.2 per cent on average in Geneva, and at a level of 8.8 per cent on average under the insurance plans administered by the United Nations Office at Vienna. In addition, although average premium costs per participant vary among different insurance plans and in terms of the costs experienced in different countries in the recent past, the overall market trends for medical insurance premiums have been upward.

32.12 The estimated requirements reported in table 32.3 address the "pay-as-you-go" costs of after-service health insurance entitlements for retired staff. In its resolutions on the biennial programme budgets and the financial reports and audited financial statements and reports of the Board of Auditors, the General Assembly endorsed the observations and recommendations of the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors on the long-term liabilities for after-service health benefits. The Secretariat has been reviewing the options and arrangements to address the long-term liabilities of the Organization for after-service health benefits for all categories of retired personnel. Pursuant to resolution 61/264, the report of the Secretary-General on liabilities and proposed funding for after-service health insurance benefits, addressing issues of partial and full funding of after-service health insurance liabilities, was submitted to the General Assembly (A/64/366). The Assembly, in its resolution 64/241, requested the Secretary-General to continue to validate the accrued liabilities with the figures audited by the Board of Auditors and to report thereon at its sixty-seventh session, also addressing additional issues related to the management of after-service health insurance liabilities. The report of the Secretary-General on the funding of after-service health insurance liabilities will be submitted to the General Assembly at its sixty-eighth session. Should the Assembly approve the new funding scheme for after-service health insurance, those requirements may have to be revised.

B. Compensatory payments

Resource requirements (before recosting): $3,008,900

Table 32.4 **Resource requirements: compensatory payments**

	Resources (thousands of United States dollars)		*Posts*	
Category	*2012-2013*	*2014-2015 (before recosting)*	*2012-2013*	*2014-2015*
Regular budget				
Non-post	2 847.6	3 008.9	–	–
Total	**2 847.6**	**3 008.9**	–	–

32.13 The requirements under compensatory payments (see table 32.4) provide for compensation to members of commissions, committees or similar United Nations bodies in the event of death, injury or illness attributable to service with the United Nations. The responsibilities of the United Nations in this area, as well as the rules governing compensatory payments, are detailed in Secretary-General's bulletin ST/SGB/103/Rev.1.

32.14 Compensation is also provided to staff members or their dependants in the event of death, injury or illness attributable to the performance by the staff member of official duties on behalf of the United Nations. The compensation is governed by the specific rules under appendix D to the Staff Rules (ST/SGB/Staff Rules/Appendix D/Rev.1/Amend.1).

32.15 The costs incurred on both those accounts may include death annuities, monthly benefits for incapacity resulting from injury or illness, lump-sum indemnities for permanent disabilities and medical, hospital and other related expenses.

32.16 The resource requirements of $3,008,900, reflecting an increase of $161,300, are based on historical trends in expenditures over the period from 2008 to 2011.

C. General insurance

Resource requirements (before recosting): $7,547,000

Table 32.5 **Resource requirements: general insurance**

	Resources (thousands of United States dollars)		*Posts*	
Category	*2012-2013*	*2014-2015 (before recosting)*	*2012-2013*	*2014-2015*
Regular budget				
Non-post	6 652.1	7 547.0	–	–
Total	**6 652.1**	**7 547.0**	–	–

32.17 The provisions under general insurance (see table 32.5) relate to insurance on the buildings and property at United Nations Headquarters as well as at Addis Ababa (Economic Commission for Africa), Santiago (Economic Commission for Latin America and the Caribbean) and Beirut (Economic and Social Commission for Western Asia). The United Nations Offices at Geneva, Vienna and Nairobi, as well as at Bangkok (Economic and Social Commission for Asia and the Pacific), separately maintain property and liability coverage for their offices locally. General

insurance also covers automobile liability insurance at Headquarters, liability insurance for aircraft used for travel by the Secretary-General but not owned by the United Nations, and insurance for other air travel. In addition, in accordance with General Assembly resolution 41/210, the United Nations has established a self-insurance plan for general liability risk in respect of acts occurring within the Headquarters district in the United States of America. The provisions also cover a stand-alone insurance policy for acts of terrorism, which, following the events of 11 September 2001, was established effective 2003 as a result of limitations in the scope of insurance coverage for risks, such as acts of terrorism that would normally have been covered under the general policies. General insurance costs relating to the capital master plan are included in the cost proposals for the capital master plan.

32.18 Costs under this provision are estimated in the amount of $7,547,000, reflecting an increase of $894,900, on the basis of terms of contracts recently signed with the insurance providers at Headquarters. The requirements reflect a significant increase in property insurance levels and costs for Headquarters, owing mainly to the fact that some of the buildings under renovation that were covered by a separate builder's-risk property insurance policy specific to the capital master plan, the cost of which was borne by the capital master plan during the biennium 2012-2013, would again be covered by the property insurance policy under section 32 during the biennium 2014-2015. The value under coverage of those buildings is expected to increase compared with the pre-capital master plan insured value. In addition, losses in the Sudan, Chile and Haiti between 2008 and 2010, as well as in the flooding of the third basement of the Secretariat Building in New York as a result of the storm Sandy in 2012, have generated an unfavourable loss ratio on the policy, which has led to an increase in the premium. The premium is expected to remain at this higher level for the biennium 2014-2015. It should be noted that the Secretary-General will submit, at the first part of the resumed sixty-eighth session of the General Assembly, a report on remediation work in the aftermath of storm Sandy with a view to securing adequate coverage for all United Nations installations, as requested by the Assembly in section IV of resolution 67/254.

D. Bank charges

Resource requirements (before recosting): $856,500

Table 32.6 **Resource requirements: bank charges**

	Resources (thousands of United States dollars)		*Posts*	
Category	*2012-2013*	*2014-2015 (before recosting)*	*2012-2013*	*2014-2015*
Regular budget				
Non-post	856.5	856.5	–	–
Total	**856.5**	**856.5**	–	–

32.19 The requirements of $856,500 relate to fees for bank-account maintenance, electronic fund transfers and other fees for services provided by banks. The resource requirements are estimated on the basis of current trends in expenditure. Such costs are more than offset by interest income earned on cash balances, which are budgeted under income section 2, General income.

E. Pension payments to former Secretaries-General

Resource requirements (before recosting): $1,292,400

Table 32.7 **Resource requirements: pension payments to former Secretaries-General**

	Resources (thousands of United States dollars)		*Posts*	
Category	*2012-2013*	*2014-2015 (before recosting)*	*2012-2013*	*2014-2015*
Regular budget				
Non-post	1 213.3	1 292.4	–	–
Total	**1 213.3**	**1 292.4**	–	–

32.20 The requirements of $1,292,400 provide for the retirement allowances of three former Secretaries-General and the widow of one former Secretary-General at the half rate, based on the maximum retirement benefit payable as from 1 February 2013.

Annex

Summary of follow-up action taken to implement relevant recommendations of the oversight bodies

Brief description of the recommendation	*Action taken to implement the recommendation*
Report of the Board of Auditors (A/59/5 (Vol. I), chap. II)	
The Board of Auditors recommended that the United Nations review the funding mechanism for end-of-service and post-retirement benefit liabilities (paras. 15 (b) and 47).	The following updates information contained in table 33.7 in document A/66/6 (Sect. 33). In its resolution 64/241, the General Assembly requested the Secretary-General to submit to it at its sixty-seventh session a report on managing after-service health insurance liabilities, and to continue to validate the accrued liabilities with the figures audited by the Board of Auditors and to include that information and the outcome of the validation in the report on managing after-service health insurance liabilities. The submission of the report was deferred owing to the unavailability of data to be used to prepare the analysis. The report will be submitted to the General Assembly at its sixty-eighth session.